

NEAR EAST AFRICA DIVISION  
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CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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NEAR EAST/AFRICA DIVISION

INTELLIGENCE SUMMARY

Vol. IV No. 40

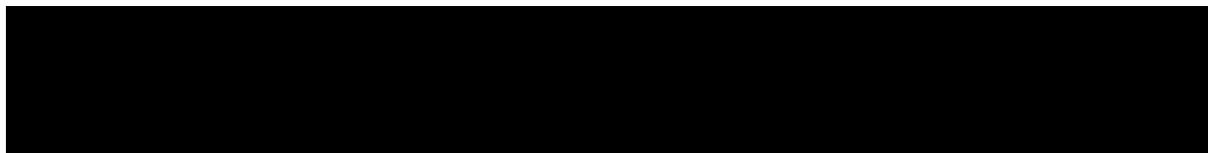
For Week Ending  
12 October 1949

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## NEAR EAST/AFRICA INTELLIGENCE SUMMARY

### GREECE

Post-devaluation trends encouraging: Greece's devaluation of the drachma, in line with the general world currency readjustment, has thus far had a salutary effect on the country's financial and economic situation, in part because devaluation had long been anticipated but also because of the strong measures taken by the government to prevent speculative excesses or a new inflationary spiral. The new drachma exchange rate (15,000 to the dollar and 42,000 to the pound) represent a rise of about a third to approximately the old open market rates. Since devaluation there have been only slight variations between official and open market quotations, and sales of hoarded foreign exchange to Greek banks have increased significantly to a rate of over \$2 million monthly. After the first few days of heavy gold sales by the Bank of Greece to speculators, confidence in the Greek currency was at least temporarily re-established; since then gold sales have steadily declined, the price has fallen to below its peak pre-devaluation level, and sales to the Bank by private owners have mounted. ECA has continued its support for the present gold policy by agreeing to sell the Greek Government 250,000 more gold sovereigns to augment its present stocks, and both the gold sales policy and the flexible exchange certificate plan are to be continued until the Greek economy is more fully stabilized. Nevertheless, the trends now apparent may be setting the stage for the scrapping of these emergency measures.

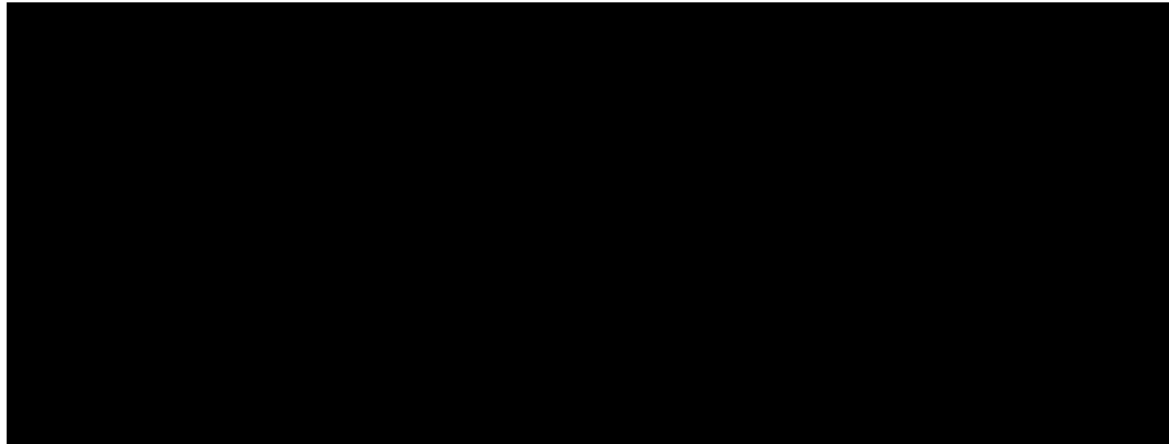
In addition to establishing a realistic exchange value for Greek currency, the Greek Government has been able to hold the cost-of-living index at previous levels, at least temporarily, by subsidizing essential imports and abolishing previous import levies. It is also considering other measures designed not only to hold prices down but also to limit windfall profits of exporters and to encourage higher domestic production. The extent to which devaluation will boost lagging Greek exports depends on Greek efforts to capture new markets and on more general developments in the world trade structure. In any case, however, Greece's decision to devalue at this time has freed it from the necessity of granting a virtually universal subsidy to all exports.

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#### INDIA - PAKISTAN

Unfortunate UNCIP incidents: Two recent incidents serve further to damage the prestige of the UN Commission for India and Pakistan (UNCIP). The first of these involves Lieutenant General Delvoie, Belgian Military Adviser to UNCIP. In the latter part of September, Delvoie took, at the owner's request, a number of boxes of valuables from Lloyd's Bank in Srinagar and carried them to Rawalpindi in an UNCIP plane, which was at the disposal of the Military Adviser. This seemingly harmless incident gave rise to strong Indian resentment because the owner of the valuables had been declared an enemy agent by the Kashmir Government although he was allegedly known to Delvoie only as a refugee from Kashmir. The GOI has taken a serious view of the matter and has requested UNCIP to take appropriate action. The Indian press has publicized the incident in violent fashion and casts doubt on the future impartiality of UNCIP officials generally.

The second incident, which, though less serious, is also being played up in the Indian press, involves an RAF officer travelling from Karachi to Srinagar by UNCIP plane. Although the trip was made with the authorization of the Indian Defense Ministry, the Kashmir Government alleges that the flight constitutes misuse of the UN plane by providing clandestine service between Pakistan and Kashmir to the detriment of the peace of Kashmir.

UNCIP, in its efforts to obtain agreement on the Kashmir problem, has made more concessions to the Indian than to the Pakistani position in the belief that the GOI is the more recalcitrant of the two governments. Nevertheless, the GOI, which has exerted itself to discredit UNCIP, will undoubtedly use these recent incidents to rationalize the Indian claim that UNCIP is biased in favor of Pakistan. The incidents will also make it

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easier for India, which now openly views the proposed Kashmir plebiscite with disfavor, to build a case for using a new procedure to solve the Kashmir dispute.

NOTED IN BRIEF

The Turkish-Iranian transit agreement which was recently initialed in Ankara reportedly provides "free zone" privileges for Iran in the Mediterranean port of Iskenderun. While this offer may represent only an attempt to obtain business for Turkish commercial facilities, the Turks may also have in mind the long-run advantages which might be obtained through a subsequent offer of similar privileges to Syria, in the hope that the importers and exporters of Aleppo, particularly, would prevail upon the Syrian Government to accept. A Turkish-Syrian agreement of this nature would, of course, do no harm to the Turkish policy of prevailing upon Syria to abandon its claim upon the province of Hatay, of which Iskenderun (Alexandretta) is the chief city.

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In proposing to shift Istanbul's Governor-Mayor Kirdar from his twin jobs to a deputyship in the National Assembly, the government may have motives which are less than pure. Kirdar held the top posts in Istanbul during the 1946 elections, when the government party was soundly thrashed at the polls there, and there is some suspicion that he is being removed in anticipation of the new elections to be held in 1950.

\* \* \*

Although working conditions for the Turkish laborer have slowly been improving, the right to strike is still denied him by the state. Asked about this during a recent visit to a partly industrialized metropolis, the Minister of Labor offered his view about strikes: they are "obsolete."

\* \* \*

Anti-Italian demonstrations organized by the Somali Youth League (SYL) in Mogadiscio on 6 October resulted in four deaths and many wounded. Police were forced to fire into the mob when other attempts to break up the demonstration were resisted with force. These SYL tactics apparently

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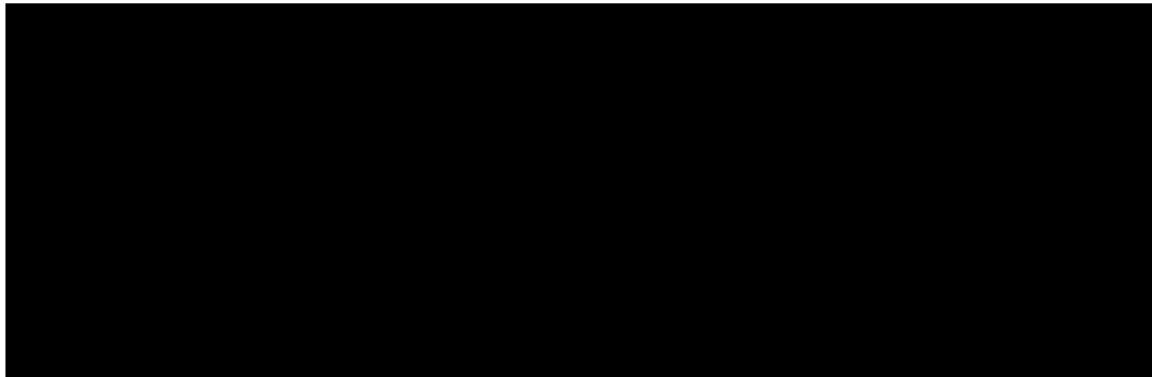
represent the belief that similar demonstrations in Tripoli last spring helped defeat the Bevin-Sforza plan, which would have granted Italy a UN trusteeship over Tripolitania, and further SYL demonstrations can be expected while the UN General Assembly considers the fate of Italian Somaliland. Should Italy be given the trusteeship, more serious disturbances would probably result.

\* \* \*

Last week's rearrangement of the Lebanese Cabinet has little real significance, although a considerable shuffling of cabinet posts was required before Dr. Ilyas al-Khuri, who had refused to accept the Ministry of Interior, could be returned to his old job of Minister of Public Works. Prime Minister Riad Sulh has taken over the Interior portfolio, and Minister of Justice Helou has been awarded in addition the newly created post of Minister of Information.

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Former Prime Minister Qavam, who left Iran hurriedly in February following the attempted assassination of the Shah, is scheduled to arrive in Tehran 17 October and is expected to reside on his estates in the country. Since the Shah authorized the return, the hostility he long felt has apparently been tempered either because he feels Qavam will abstain from politics (which seems unlikely) or because he may desire to hold Qavam in readiness for the premiership should a critical situation develop which would require the hands of a forceful leader.

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The Soviet-Iranian wheat deal has been concluded following several months of negotiations. Delivery of 100,000 tons at \$97 per ton, payable in sterling, is scheduled to begin this week at three points in northern Iran: Julfa, Pahlavi, and Meshed. Already Soviet propaganda has begun to exploit the agreement, commending the USSR for its generous salvation of starving Iranians and blasting the US and the Iranian Government for callously ignoring food shortages while allocating millions of dollars for guns and ammunition. Although the USSR will profit from this situation, the Iranian Government felt it must take steps to ameliorate the food shortage in northern Iran, where mounting dissatisfaction with the government has reached serious proportions.

Several airlines are showing interest in Afghanistan. Iranian Airways has recently started a fortnightly service between Tehran and Kabul. A vice president of Trans Ocean Airways will soon arrive in Kabul to explore the feasibility of operating a service within Afghanistan and an international freight and cargo service. Afghanistan, with minimal internal transportation facilities and no harbor outlet, might well find a dual airline system of value in exporting karakul and in importing such items as machinery and equipment for public projects--which, incidentally, may show considerable increase if, as expected, an Export-Import loan is granted to Afghanistan.